
CITY COUNCIL REPORT

DATE: July 21, 2019
TO: Mayor and Councilmembers
FROM: Luis Pedroza, Finance Director; Jerene Watson, Interim City Manager
CC: Department Directors
SUBJECT: PUBLIC COMMUNICATION CLARIFICATION ON THE BUDGET & SALES TAX/USE HEARINGS

The report is in response to various members of the City Council who inquired about the Guest Editorial that has been submitted to the Douglas Dispatch, what information as inaccurate in the July 17th Dispatch article on the budget, and also the rationale for moving up the 3rd Reading on the Sales/Use two weeks ahead of schedule to the Special meeting on July 29th.

DISCUSSION:

This week brought several pieces of information and communication that we felt required action as leaders in our respective areas of responsibilities serving you, this community and organization.

First on Wednesday, July 17, the local weekly newspaper ran an article about the budget that left out some important information or didn't have fully accurate information it was reporting to the public.

Second, while at the state conference of city managers on Thursday, we learned in a conversation with Deputy Director, Tom Belshe, and Lee Grafstrom, League Tax Policy Analyst, League of Arizona Cities & Towns, we learned the City could hold its 3rd and final reading of the sales/use tax in July. That meant the tax collection clock could start one month sooner.

Following is information that was inaccurate in the article with responses provided by Luis for your understanding and use if any questions arise on the budget article of July 17:

The inaccuracies in the article that staff believed should be explained in a Guest Editorial (sent in an earlier email to you over the weekend clarified these areas as well as set out what the public will be getting for the increase in sales/use tax:

- To state that the bed tax would affect renters implies it impacts our full-time residents and is untrue. It does not affect those renting residential space with leases more than 30 days. The reality is that it only affects those who are visiting the City in temporary stays, without a lease, such as VRBO, Airbnb or week-to-week rentals. It does not affect those renting a home, apartment or townhouse as a permanent resident living in the City. Bed taxes in all cities are

geared towards those passing through or visiting the City in a transient category, not intended for our residential citizens.

- The \$2.9 million is not a decrease of revenues and expenses, the \$2.9 million is a decrease in expenses only. The revenues are above that and not equal to the decrease. The concern would be that the public not understand this isn't an accurate picture of revenues, only our expenditure.
- A minor but important correction is needed that the approval of the budget is for fiscal year 2019-20 and not 2020-21. Often citizens don't realize how budgets work. We don't budget biannually nor on the calendar year, so helping residents understand our new fiscal year has begun needed to be corrected.

Please see the attached press release on the date change for 3rd reading of the sales/tax use which came about as a result of this new information from the League. It is being posted to our City website, our City social media, sent to the media in the hopes it will be used in the Wednesday informational article the Dispatch will be writing about the change.

RECOMMENDATION / CONCLUSION:

This report is for information only.

MEDIA RELEASE – 3rd & Final Reading on Sales/Use Tax Set for July 29, 2019

(Douglas, Arizona, July 21, 2019) The City of Douglas will be holding the 3rd Reading of the Sales Tax/Use Tax Increase ordinance on Monday, July 29, 2019 at 5:30 pm in a Special Council meeting in City Council Chambers at City Hall, 425 10th Street in Douglas. The public is encouraged to attend this final public hearing on whether the Council should increase the sales tax in order to generate an expanded revenue stream for City operations and service delivery.

This final hearing was originally scheduled two weeks later on August 14, 2019 at the regularly scheduled City Council meeting. Upon learning from the Arizona League of Cities & Towns this week that the City needed to hold its final and fourth opportunity for public comment on this item in July in order to begin tax collections from the Arizona Department of Revenue (ADOR) by September, Interim City Manager Jerene Watson acted on this information. "All city managers are charged with the fiscal health of the cities they serve, whether interim or permanent managers and it is my responsibility to ensure we are set up to do everything possible to grow our revenues," said Mrs. Watson. "Douglas is in a unique situation in that we *collect more than half of our sales/use tax from non-residents* than residents. Leveraging our resident tax dollars with even more taxes received from those not living here permanently gives us a good return on our resident investment in our community. To be aware we might forego a month of increased revenues expected to be at least \$145,000 in additional monies when we still have time to meet the July deadline and not set up the opportunity for Council would be irresponsible on my part. We need to use every tool available to strengthen the economic foundation of our City. Weighing the decision to course correct by moving the final hearing up by two weeks was strategic, but the decision also had to include a meeting date and time so it allows any who are interested to attend."

The City is making every effort to communicate to the public in as many ways as possible about the final hearing on the sales/use tax change.

Questions or comments may be directed to Finance Director Luis Pedroza, 520-417-7319; luis.pedroza@douglasaz.gov; or Interim City Manager Jerene Watson, 520-417-7303; jerene.watson@douglasaz.gov.

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